

HOUSE BILL REPORT

HB 1424

As Passed House:
February 14, 2011

Title: An act relating to administrative consistency between conditional scholarship and loan repayment student financial aid programs.

Brief Description: Regarding administrative consistency in student financial aid programs.

Sponsors: Representatives Jacks, Haler and Upthegrove; by request of Higher Education Coordinating Board.

Brief History:

Committee Activity:

Higher Education: 1/26/11, 1/31/11 [DP].

Floor Activity:

Passed House: 2/14/11, 94-0.

Brief Summary of Bill

- Adjusts the terms for repaying scholarships and loans for the Health Professional Loan Repayment and Scholarship Program and the Future Teachers Conditional Scholarship and Loan Repayment Program.
- Creates consistency between the programs, adds an appeals process, and makes technical corrections.

HOUSE COMMITTEE ON HIGHER EDUCATION

Majority Report: Do pass. Signed by 15 members: Representatives Seaquist, Chair; Carlyle, Vice Chair; Haler, Ranking Minority Member; Parker, Assistant Ranking Minority Member; Buys, Crouse, Fagan, Hasegawa, Jacks, Probst, Reykdal, Sells, Springer, Warnick and Zeiger.

Staff: Madeleine Thompson (786-7304).

Background:

Health Professional Loan Repayment and Scholarship Program.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The Legislature created the Health Professional Loan Repayment and Scholarship Program (Health Professionals Program) to attract and retain health professionals to serve in workforce shortage areas in Washington. Students who receive a scholarship or educational loan repayment assistance must commit to serve in shortage areas for at least three but no more than five years.

The Department of Health (Department), in consultation with the Higher Education Coordinating Board (Board) and the Department of Social and Health Services, is required to determine eligible health care professions, shortage areas, and annual award amounts for each health profession. Awards are limited to a maximum of five years per individual. The Department also determines the length of service commitment. For prospective physicians seeking a scholarship, priority is given to those who live in rural areas.

Health Professionals Program: Repayment Obligations.

Recipients who do not complete their full service commitment must repay twice the amount paid by the Health Professionals Program in addition to any payments on the principal and interest that are still owing. The interest rate on the conditional scholarship is 8 percent for the first four years and 10 percent beginning in the fifth year. The interest rate is not addressed for the loan program. The period for repayment starts no later than nine months after completion or discontinuation of study or required residency. Participants may be released from their obligations to repay their scholarship or loan if the Board deems there are circumstances beyond the individual's control.

In the Health Professionals Program there is an 8 percent default rate on service contracts and promissory notes by the loan and scholarship recipients. The average amount owed is just under \$22,000 for loan repayment recipients who did not meet their service commitments, and just over \$28,000 for the conditional scholarship recipients who failed to complete the required education or meet service commitments.

Future Teachers Conditional Scholarship and Loan Repayment Program.

In 2004 the Legislature modified an existing, but inactive, conditional scholarship program to target teacher shortage areas. The Future Teachers Conditional Scholarship and Loan Repayment Program (Future Teachers Program) is designed to encourage outstanding students and paraprofessionals to become teachers and to encourage current teachers to obtain additional endorsements in teacher shortage subjects. The Future Teachers Program is administered by the Board.

Recipients agree to teach in an approved educational program in Washington K-12 public schools in return for conditional scholarships or loan repayments. Selection criteria emphasize excellence and include academic ability, community contribution, bilingual ability and willingness to commit to teaching in shortage areas. Priority is given to individuals seeking an additional certification or an additional endorsement in math, science, technology education, agricultural education, business and marketing education, family and consumer science education, or special education. Participants are eligible to receive future teachers scholarships or loan repayments for a maximum of five years.

Future Teachers Program: Repayment Obligations.

If a conditional scholarship recipient does not meet their service commitment, they are obliged to repay the scholarship amount plus interest and an equalization fee. The repayment amount is pro-rated depending on the amount of service already provided. The Board sets the minimum payment amount and determines the interest annually. The maximum period for repayment is 10 years. The Board sets terms of payment, including interest rates, fees, and deferment, by rule.

Summary of Bill:

Terms for repayment are adjusted for students who do not meet their service obligations for the Health Professional Program or the Future Teachers Program. Repayment terms for the Health Professionals Program are more closely aligned with those for the Future Teachers Program.

For the Health Professionals Program, the Board has the authority to establish the interest rate on repayments. The ability to assess interest is added to the loan repayment portion of the Health Professionals Program. Language is added to clarify that the penalty is based on the remaining principal.

For the Future Teachers Program, the Board retains the authority to establish the interest rate and is no longer required to establish the rate annually. Quarterly interest accrual is removed for both the Health Professionals Program and the Future Teachers Program.

Repayment for the Health Professionals Program starts no later than six months after completion or discontinuation of study or postgraduate training rather than nine months as in current statute. A maximum repayment period for the Health Professionals Program is set at 10 years.

The Board is required to establish an appeals process by rule for both the Health Professionals Program and the Future Teachers Program.

A technical correction removes a section regarding eligibility for the Health Professionals Program that was only applicable until June 1, 1992. "Residency training" is replaced with "postgraduate training" to apply to eligible health professions, not just physicians.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) These changes help to treat the two professions in the same way by streamlining and clarifying repayment obligations. This will improve the administration and operation of the two financial aid programs. The bill brings consistency to the interest rate. Staff work will be more straightforward and the process will be more transparent for the client.

(Opposed) None.

Persons Testifying: Representative Jacks, prime sponsor; and Chris Thompson, Higher Education Coordinating Board.

Persons Signed In To Testify But Not Testifying: None.